Mudra Yojana – Loan Limits, Interest Rates, Objectives & Eligibility

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It's a financial initiative for facilitating micro-units and providing them with sufficient funds to help them develop their business. Medium and small businesses are often incapable of availing loans from banking institutions due to lack of security and inadequate funds for paying off the interest. There are more than 577 crore small businesses at present functioning in the country. Helping these businesses grow would ultimately lead to the advancement of the economy.

Under the Jan Dhan Yojana, the government launched its MUDRA Bank (Micro Units Development and Refinance Agency) initiative on 8th April 2015.

What are the key objectives of the MUDRA Yojana?

The inception of **MUDRA Yojana** was done keeping in mind several objectives to be fulfilled during the implementation of this yojana. The most prominent of these are:

1. For laying down policy guidelines for financing small/ micro enterprises
2. Getting all the Microfinance Institutions and related entities registered and then regulating the same
3. For helping the small businesses develop and grow further
4. Assisting lower income groups in building and expanding their business
5. To assist in creating easy access to finance for unbanked and help in lowering their cost of finance
6. To provide SC/ST lending preference
7. For regulating all Microfinance Institutions that are dealing with trading, manufacturing, and service

What are the loan limits and interest rates under this scheme?

As per the choices for financing available under this scheme, the loan limits and interest rates vary for accommodating for the growth phase of the respective business availing such loan. The applicable limits and rates are as follows:

1. **Shishu** – Loans up to a limit of INR 50,000 with interest being 1 per cent/month or 12 per cent/annum. The repayment period for such loan is up to 5 years
2. **Kishore** – Loans from INR 50000 up to INR 5,00,00. The interest rate would depend on the bank, as per the guidelines of the schemes and keeping in view the applicant's credit history. Loan repayment period is dependent on the option of the bank
3. **Tarun** – Loans from INR 5,00,000 up to INR 10,00,000. The interest rate would depend on the bank, as per the guidelines of the schemes and keeping in view the applicant's credit history. Loan repayment period is dependent on the option of the bank

Overall 27 Public Sector Banks, 31 Regional Rural Banks, 17 Private Sector Banks, 36 Microfinance Institutions, 25 Non-Banking Financial Institutions and 4 Co-operative banks have been selected for disbursing this loan as of now. 60 percent of the loans under the scheme to be offered via 'Shishu' option and the remaining 40 percent would be via 'Kishore' and 'Tarun' schemes.

What can the loans taken under MUDRA Yojana be used for?

The loans under this scheme could be availed for the purposes listed below:

1. Car loan
2. Commercial vehicle loan
3. Two-wheeler loan
4. Working capital loan
5. Loan for plant and machinery
6. Revamping the business space

Eligibility of the borrower

Loans would be provided to all the non-farm income-generating businesses in trading, manufacturing and services whose credit requirements are less than INR 10 lakhs by all Public Sector Banks, State Cooperative Banks, Regional Rural Banks and Urban Co-operative Banks would be known as MUDRA loans under the PMMY (Pradhan Mantri MUDRA Yojana).

Basically, all those who want to avail loans below INR 10 lakhs for micro units are qualified for such loan.

An application form under the scheme would be available with each of the above-mentioned institutions. This application form needs to be submitted together with the documents listed below:

1. **Identity** months)
2. **Quote for the Machinery** or other items to be purchased
3. **Supplier details/Details of the machinery/Price of Machinery**
4. **Identity Proof/Address Proof of the Business** (relevant certificates & licenses)
5. **Category Proof if any**

Apart from the documents mentioned above, applicants' banks might ask for other documents as required. The Banks should not charge any processing fee and aren't supposed to request any collateral. The loan repayment period is extended to 5 years. However, it is made clear that any applicant shouldn't be a defaulter to any financial institution.

Latest updates as per Budget 2017-2018

The 2017-2018 Union Budget came with a number of surprises. Some of the elements in the budget were troubling for some while the others gave positive signals for the Indian economy.

Changes in Lending Target Under the Mudra Yojana

The finance minister in the Budget 2016-2017 set a target of advancing INR 1.22 lakh crores under the MUDRA Yojana to help to support and to revive the MSMEs. This lending target was not only achieved but was actual overran by a big margin. Consequently, in light of the erstwhile success, the union government decided to double the lending target under the MUDRA yojana. It means that the target would be INR 2.44 lakh crores.

Emphasis on Specific Segments

The Finance Minister said that though the target for lending is scaled up, the key targets would be women, backward classes, minorities, Dalits and Tribals who have been usually not provided the adequate opportunity of getting finances for their businesses.

Mudra Loans Interest Rates

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Bank	Interest Rate	Processing Fee	Loan Amount	Tenure
HDFC Bank	10.99% to 20.70%	Up to 1.5%	Maximum INR 15 lakhs	1 to 5 years
ICICI Bank	10.99% to 17.99%	2.25%	Maximum INR 20 lakhs	1 to 5 years
Oriental Bank of Commerce	10.65% to 11.65%	0.5%	INR 50,000 to INR 10 lakhs	1 to 5 years

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